EXHIBIT 118

From:	John Dittami <john@effexcapital.com>
Sent:	Sunday, August 14, 2011 12:19 PM
To:	emilazzo@gmail.com; 'James EFFEX'; 'Chris Meyer'
Subject:	Effex Several Weekly Update July 2011 v3.docx
Attachments:	Effex Several Weekly Update July 2011 v3.docx

This is for Drew, I'd appreciate your input, and feel free to make modifications or comments (please trace them).

Its not my best work, but lots of stuff in there so tough to organize.

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Effex Several Weekly Update Addendum for July 2011

FXCM/Effex Integration Cost\Benefit:

Benefits:

1. Greater Effex PNL with real time read of book and better understanding of FXCM's internal workings (an Effex Advantage)
2. Effex can identify bugs\trading issues that are either not monitored by FXCM, or are only seen from the perspective coming from liquidity provider (an FXCM Advantage)
3. Effex makes rapid corrections to its own books and feeds to accommodate config or code changes as is required to maintain overall liquidity, slippage needs, and price needs. (Effex and FXCM working together to support aligned interests)

Costs:

1. Opportunity cost of Effex Resources for new business ventures, or to research\implement laundry list of PNL value items on existing ventures (Effex, therefore our aligned interest cost)
2. Direct cost of additional resources needed as changes\configuration and complexity grew substantially from R2.   (Effex adds 3 resources, FXCM's cost likely equates to 1 resource distributed across multiple people)
3. Direct PNL per MM impact on existing business as relative disadvantage\advantage to other provider shifts. (Our aligned cost)

One critical thing that makes our relationship work is that the customers, FXCM's, and our interests are 100% aligned. For this reason, we are 100% on board with the business decisions on technology and liquidity provision shifts as they increase benefit #3 for our overall long term benefit. The second thing that makes this work is that both FXCM and Effex deliver (and to date we both have). Both Effex and FXCM struggle not to deliver, but to deliver in the most efficient and timely manner. For this, please take the below for business information purposes, not as complaints.

Relative Advantage\Disadvantage Shifts since Inception of Venture (In Order of Occurence):

1. Spread advantages share with other providers on high volume pairs removed (with exception of EURUSD of .1). In our first couple months this is significant number.
2. Addition of new providers, in particular MS and LUCID from competitive perspective, but quotes on rise have resource cost to scale our systems accordingly, and on maintenance\support\review costs. The resource costs are greater than competitive perspective in this case after we adjusted accordingly.
3. Change in execution methodology allowed for Prev Quote orders. This is a couple dollars per MM, we should discuss but likely not change.
4. Reject rates from external providers on rise, Effex drops its from 5% to <2% (providers likely did so to accommodate for more competitive markets, more volatile\less liquid markets, and fractional shifts). Rule of thumb when we started was push providers to be <3% (but I think we

let them go to 7%). Relative cost increase substantially on this as the providers at top of book used to be on the low reject side, now they are the highest reject providers. Reject rates overall on the rise and are still way too high.   The relevant cost of this to Effex also went up by factor of 10 as routing shifted in R3.

5. Lost Key relative advantage on real time view of accurate book routing was occurring, and ability to control our price placement. This is the most costly in terms of required resources over the year. We had built solid way of identifying PNL good\bad every day very quickly as routing was simple, and could match routing as well. Given that we have 0 ability to do this now, and even with information its far more complex, our resource time on evaluation of PNL and ability to backtest new PNL value items, or even just required shifts to adapt for FXCM changes goes up by factor of 10.

6. New providers, and fractional pips increases quotes totals, just a resource cost for us to keep up along side FXCM's costs, and relative latency rises therefore minor reduction in colo advantage. Low cost for us, but I'm being inclusive of all costs.

7. Increase ticket counts.   Effectively this cost is us taking micros which are not properly batched, have maintenance cost as our tickets double (not volume), has PNL cost as the majority of this flow is not in fact the flow that was dealing desk. Very high cost for us in terms of scaling engines, and day to day management. It carries direct expense increase for needing more hardware\software licenses, but really bigger cost was resource on the scale. Benefit however is future scaling will be easier but it shows up in long term growth value not short term.

8. Shift in % of volume done in EURUSD which is the lowest margin pair against % done by all the higher margin per MM pairs. Unlike other costs above where we were able to offset PNL costs to some large extent using resource costs of adjusting\maintaining, there is nothing here we can do and just had to get better and smarter (new additions) to overcome.

9. Transitory costs that have been on for months after limited liquidity to providers, and reduced ticket thru put throttles put on them. This cost is very high and only goes away after our transition to pools is complete and then banks are then told cut the complaining (at moment they have rights to make issue as we point out above in transitory stage). This is bad for us all because at moment Effex\FXCM venture eats that cost to banks benefit, or rather to prevent banks detriment.

More Detail on costs, our actions to correct, and some possible outstanding things that can mitigate

1. Critical is capture we've been asking for since I started here, where FXCM can not properly trace its quotes from providers to the book engine is using for routing. This means latency values for FXCM to ID issues, ability to dig into constant day to day questions are made 10x more difficult, Darren's ability to assess slippage any further is made near impossible, Effex's ability to get accurate backtest and time to assess PNL bad times is extremely difficult. FXCM's ability to prove best routing if ever asked by regulators is 0. Cost of BBO not being same as engine can't be assessed. Bugs can't be easily found. From Effex point of view, this was manageable in R2 routing framework, in new more complicated framework we have no control on seeing or

managing it into our work. The importance of this to both FXCM and Effex is 5x greater than 1 year ago given changes thru the year in routing. Bottom line we both need this.

2. The fact that R3 transition wasn't done on day last year we said it was in play and still is not complete costs us all. R3 started on that day from infrastructure perspective, not functionality. Things like routing on sizes less than 100k lost from R2, batching lost from R2, invalidating our quote on both sides when we reject on 1 side, and a bunch of other minor items cost us in smalls individually, but in some were significant.   Effex covering as last non limited liquidity standing bank to help keep others tight in transition, covering issues on ticket thru put to keep other banks in check during transition, etc costs us large. New routing rules means we can't control always being getting at best price at top, in fact it does the opposite, with routing changes we always cover on inside at max capacity. We should consider routing optimization for PNL would now need to occur at FXCM side to optimize pnl, if this is not possible, we must get better view on routing\changing book to mitigate better. Bottom line we both need this transition done and implementation more effective.

3.   Other long term known issues from 1 year ago still remain outstanding, like DB problems with rejects at adapter level, not reducing quotes on simple wins for providers providing 2 sides (mitigating bbo and latency issues), not invalidating quotes clearly thru interbank reference, and others. These issues increase in importance\cost given R3 transition. Bottom line is we have easy wins that have been long outstanding.

4. We have more requirements for change to adapt to FXCM changes, and as FXCM changes increase, they have less time\resources to accommodate. As an example, it took 2 weeks to get Price Insurance stream in place even though it was clearly prioritized. We wanted to help out by adding T2 liquidity in Himawari and Retail pools, also took weeks to get done. We have days of lags as we quickly implement items (yes some mid week), and have to wait for support to do restarts that take 10 minutes because we can't control our own boxes as other providers do. When we finally did get T2 for retail up it was misconfigured in 3 ways, one it was set to pool >$5MM, two it was set to unlimited liquidity, and three is wasn't configured to win ties. I believe support or other made those decisions and I wasn't aware of them, and frankly I don't know where they came from. Some of those decisions were made just because functionality or bug existed (for example, I believe Evan was surprised to learn that configuration to win ties for multi providers was not set up). In this example, it cost Effex 3 days to figure out why we weren't winning expected items.
We gave up on using IT for our collocation needs at NY4 and other (used for growth of pro, faster read on interbank markets, and pricing new venues), as the lead time was too high. We want to look more like other banks as looking different was previously was huge benefit, now its a cost.   The sad part of this item is that we are providing things that are helpful for both PNL and for service added points yet can not get them implemented in timely manner. We needed a dedicated support person that can put time in for us recognizing we are 85% of tickets. This is not even a full time role.
Bottom line we need to separate more responsibility for managing feeds to look like other providers and Effex have greater control as not to be held back by larger organization needs.

5. Last weeks issue scared the crap out of me, the reject rates at 80% (and more rejected than accepted over events) could have been repeat of last May event (actually much worse). On that front I believe Effex could have helped avert some serious business killing item. The other side of that was at least 500k, and I wouldn't be surprised if it was 7 figure value over last 2 weeks. This is a culmination of all items above , being last on limited liquidity, in routing position to be default coverage against all other providers or internal FXCM bugs (in R2 we had control here), not having T2 to help etc. It scares me that we got into that position last week where latency spiked so much as did rejects. The problem was 4 fold on FXCM related issues in latency routing\ adapter issues, the exacerbation of known items (like DB for example 30% reject due to known adapter bug for last year), providers allowed to get away with this reject policy versus how a true exchange is, and Effex not having advantages or set up to help provide even more coverage. Bottom line, what the heck happened here, this was scary.

6. Effex has added resource, and just made our first growth organization shifts to make us more effective, and to have better delegation. We try to separate the firefighting personnel from new growth personnel wherever possible, as without this, you only get firefighting. I believe FXCM and everywhere else I've ever been fights this same battle. Bottom line, effex needed to be better with growth of resources, we've done some.

7. Weekly meetings with Evan are helpful and are helping mitigate some of the above costs. I'm finding that he is not informed by team on all issues. For example, recently it has cost Effex some sleepless nights fighting outs that were result of database drive failures in rec process. Separation of other banks means they don't have to fight or resource into the rec process, but Effex does because we are such a high percent of tickets and because we believe it necessary. The handling and accounting of these items is 1 part many issues with bank to actual rec. Bottom line this needs to continue, but we aren't getting the items on list completed (maybe delegation big picture problems feedback to us here, maybe some control issues at Russian Mafia hit us here as well).

Other:

1. Effex has been able to fight thru shifts above and still make progress on new logic and hedging, plus adapt for shifts. In order to do so however, we needed to make shifts that favored volume over per MM. In this way our volumes have risen substantially from inception at 40% region, to say 55% region. The cost in Per MM's expense for us to break even on reserve perspective was say $21 per MM was say $31. That cost is now $33.50 but frankly needs to be $35 (so I can incentize and allocate to new personel value to make Effex stand alone should I get hit by a bus, or should my resource time be placed on new growth venues). Our Per MM's dropped per items above from $31 region $27 region (13%), and required resource expense (including that for solidifying business independence\value in perpetuity is also +10%). However our volume increase was able to outweigh both of those factors and give us growth. Hence you are seeing revenue weekly numbers in $700+ region more often, compared to $500 plus region as we started. Some of that is offset by expenses but we still see growth in Payment (Chris please verify). I believe that a combination of relative disadvantages and increased service costs made

a $200k++ difference per week plus opportunity cost on growth of new venues.   We mitigated (plus increase net income year on year) by adding new and better logic to keep pace with those shifts. Bottom line, we recognize cost of service for informational purposes, where possible get rid of those costs or mitigate, and be willing to invest in new venue growth.

2. For my own sanity we need to get our contracts done. We work together well but as I see events like above where relative disadvantages shift and coverage shifts, I get both thankful that we he such a great working relationship with common goals, but scared thinking that if ever myself or the key partners at FXCM shifted, items like above would be a serious issue. We only get thru them because both FXCM and Effex is doing the right things by each other in all instances. In short, Drew, William, Evan, Ken, please never leave FXCM ☺   Bottom line, we are both at risk not having this done.

3. Hon told us once again he couldn't watch our stuff in Asia, and although we use Darren knowing Hon can't watch at more than cursory level, Darren is used far more often by business than before (a success in bringing him into loop, and getting some effex training). This is   a pet peeve but I think Effex just needs to hire coverage in that shift. Can you tell me if Hon is making these decisions on his own, or being directed as such (and if so by whom, cause I never hear from the business on these events). Bottom line, communication still lacks sometimes, and there seems to be some messy interaction between groups that isn't clear to me where ownership lies (example is on the rec process to bank top to bottom involving 5 groups, who owns this, or decisions made on dealing desk as it interacts with technology changes, who owns the overlap).

4. We had event where we asked for certain configuration on Pro, and it was configured with people we specifically asked not to price to. I couldn't get the reason this happened out of pro guys (kind of got shuffled off on that question). This was quickly resolved when I complained on it. It cost us money and time\resources to find. Bottom line, please make sure Andreas knows do not try anything funny with us, as we are on the same team.

5. Other bottom lines, technology implementation needs improvement, that is always the case everwhere, but from the outside some road blocks I see at current include delegation from support\development (as well as critical points of business failure), and separation of fire fighting and bug fixes from new development.